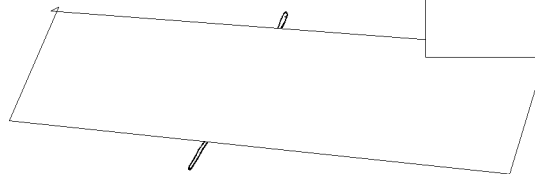




Director of
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National Intelligence Daily (Cable)

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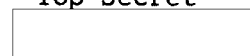
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UK-ARGENTINA: British Advance Continues

//Press reports indicate British forces have captured Mount Kent. Argentina does not expect the UK to soften its conditions for negotiations and believes an attack on Stanley is imminent. There are growing signs of Argentine interest in Soviet military aid, but no evidence that Buenos Aires has made a definite decision to accept such assistance.//

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//Defense Ministry sources cited in the press state that British troops supported by helicopters and artillery have taken Mount Kent--19 kilometers from Stanley. They reportedly also won control of Two Sisters Mountain, which is 5 kilometers closer to Stanley. The Argentine Military High Command has claimed that Air Force planes attacked British positions near Mount Kent.//

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The British Ministry of Defense announced yesterday that a Sea Harrier operating from the carrier Invincible shot down an Argentine C-130 aircraft. The reported attack occurred 85 kilometers north of Pebble Island on West Falkland.

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Comment: //The press reports about the capture of Mount Kent and possibly Two Sisters appear credible. British parachute troops and marines in the area probably have at least parity with the some 1,500 Argentine defenders.//

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//The British forces are better trained and equipped and have the advantage of well coordinated support elements. British commanders thus far also have been the better tacticians.//

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//The British assault on 500-meter-high Mount Kent and the reported attack on Two Sisters are part of a general move to secure the high ground overlooking the main routes to Stanley. The British also are likely to attack Argentine troops on Mount Challenger to protect the southern route of advance. They have bombarded Stanley airfield and Argentine troop positions to soften up the garrison for a ground assault.//

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//The Argentine air attack probably was designed as much to maintain morale among the increasingly isolated Argentine troops as to inhibit British operations against Mount Kent. There are no reports as yet on the level of damage.//

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Possible Soviet Aid to Argentina

President Galtieri on Monday held his first meeting with Soviet Ambassador Striganov since the crisis began. Striganov later told reporters the USSR is aiding Argentina "diplomatically and politically," but he had no comment on military aid.

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Comment: //The USSR has been eager in the past to sell weapons to offset its grain purchases. As the Argentine armed forces lose more planes and other equipment, their general aversion to dealing with the USSR may be lessening. There is still no indication of a firm decision in Buenos Aires to seek military aid from either Moscow or Havana.

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Venezuelan Aid to Argentina

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The Venezuelan Government announced on Monday that it would provide "substantial" economic assistance to Argentina, according to an international press report. Caracas also will send an official delegation to Buenos Aires to discuss additional economic cooperation, in part to supply imports that Argentina can no longer

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obtain from Europe. These measures follow Venezuela's recent agreement to supply 25,000 barrels per day of petroleum products to Argentina. [REDACTED]

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Comment: Despite these initiatives and Venezuela's rhetorical support for Argentina in the dispute, Venezuela is unlikely to provide large-scale economic aid. Venezuelan capabilities are limited by mounting economic problems and probable political opposition to any aid that would entail economic sacrifice. [REDACTED]

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GREECE-TURKEY: Renewed Tension

Prime Minister Papandreou's verbal attack on Turkey this week-end for alleged airspace violations almost certainly portends a worsening of bilateral relations and probably renewed Greek pressure for a NATO security guarantee.

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Papandreou vowed not to participate in NATO exercises as long as Turkey violates Greek airspace. Athens claims that Turkish military aircraft on maneuvers in the Aegean last week flew inside the 17 kilometers claimed by Athens and also violated for the first time the 10 kilometer radius recognized by Ankara. Turkey denied charges that it violated the 10 kilometer limit.

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//The incident prompted the Greeks to withdraw last week from a NATO exercise being held in the Mediterranean under the command of a Turkish officer. This was the first time since 1974 that the Greeks had participated in a NATO exercise commanded by a Turkish officer.//

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Comment: Over the past few months, Papandreou has attempted to play down alleged violations of airspace and territorial waters and to keep a lid on inflammatory rhetoric in the media. Participation in a NATO exercise under a Turkish commander was a significant gesture, and the Greeks probably felt that the alleged violations--given their timing--were a sign of Ankara's insensitivity. Papandreou also was under domestic pressure to respond firmly to the Turkish actions.

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The incident is likely to figure prominently in discussions with General Rogers during his visit to Athens tomorrow and Friday. The Greeks are scheduled to participate in another NATO exercise in the near future, but they could withdraw at the last moment to underscore their position. At the same time, Athens is unlikely to let the incident lead to a formal rupture of relations with NATO or interfere with coming US-Greek base negotiations.

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Relations with Turkey probably will deteriorate in the short term. Despite widespread speculation, the Greek and Turkish Foreign Ministers did not hold bilateral talks at the NATO ministerials in Luxembourg last month, and the Greeks are likely to scuttle for now any plans they may have had for opening a dialogue with Ankara. Meanwhile, the semiannual "Seawolf" maneuvers that the Turks will begin in the Aegean this month could heighten tension and produce further incidents.

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EC - MIDDLE EAST: Seeking a Policy

//The EC appears no closer to developing a policy on the Middle East despite recent high-level visits by European officials to the region.// [redacted]

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//West German Foreign Minister Genscher, who arrives in Tel Aviv today, is the latest in a parade of top West European officials to visit Israel and the moderate Arab states since the first of the year. He has been preceded by French Foreign Minister Cheysson, Belgian Foreign Minister Tindemans, Italian Foreign Minister Colombo, former British Foreign Secretary Lord Carrington and French President Mitterrand.// [redacted]

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//Over the weekend, Tindemans reportedly said in Tel Aviv that the EC might issue a new statement on the Middle East to supplant the Venice Declaration of June 1980. Cheysson expressed similar sentiments in Jiddah after talks with Saudi officials. The declaration pledged the EC to devise proposals for a comprehensive peace plan that would include a Palestinian negotiating role.// [redacted]

Comment: //With the exception of Tindemans' trip, the visits were aimed at improving relations between individual EC states and Israel and at assuring moderate Arabs of continued West European interest in a peace settlement. Tindemans' assertion reflects his determination to revive the EC's efforts to contribute to the peace process before Belgium's EC presidency expires at the end of this month. Cheysson's statements are primarily designed to foster warmer relations with the Saudis.// [redacted]

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//EC leaders, however, are unlikely to make a new policy statement on the Middle East at their summit on 28 and 29 June. EC members continue to differ in their attitudes toward the Arabs and Israelis and also do not want to undercut US attempts to get the autonomy talks moving.// [redacted]

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//France maintains that any peace plan must emerge from the countries involved, not the EC. British Foreign Secretary Pym, unlike Carrington, does not appear ready to push for an EC role in a Middle East settlement. EC members, moreover, remain preoccupied with the conflict over the Falklands and domestic concerns.// [redacted]

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SAUDI ARABIA: Diplomatic Moves

//Saudi Foreign Minister Saud has told the US Ambassador that Riyadh currently sees no effective role for the UN or the Islamic Conference in efforts to end the war between Iran and Iraq. Instead, the Saudis hope to induce regional states--including Algeria, Pakistan, India and Turkey--that they believe have influence in Tehran to urge Iranian leaders not to invade Iraq. Saud, who made a quick trip to Amman on Monday to consult with King Hussein following the meeting of the Persian Gulf Cooperation Council, plans to visit Pakistan soon to enlist President Zia's help. At the same time, the Saudis and their Persian Gulf allies reportedly are prepared to offer Iran substantial war reparations if Iran agrees to negotiate.// [redacted]

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WESTERN EUROPE: Possible Upsurge in Terrorist Acts

//The terrorist attacks in Italy and West Germany in the past few days were carried out primarily for the publicity they would garner on the eve of President Reagan's trip. The Communist Group for Proletarian Internationalism, which has attacked US targets in the past, has claimed credit for the bombing of three US business firms in Rome. The West German Revolutionary Cells, a group which has previously attacked US military targets, has claimed credit for the bombings of four military installations in West Germany. None of the attacks caused casualties and damage was slight.// [redacted]

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SPECIAL ANALYSIS

UK-ARGENTINA: Negotiating Positions

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//Prospects for UN Secretary General Perez de Cuellar's latest mediation efforts appear bleak. Both the UK and Argentina claim to favor a cease-fire, but on terms that are unacceptable to each other. Buenos Aires wants to appear forthcoming at the UN in order to portray London as inflexible. The British, confident of victory, seem ready to risk criticism and stick with their tough terms.//

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British Position

//The British probably will attempt to evade UN criticism of their stance by repeating that Argentina had seven weeks to accept a peaceful resolution of the conflict. They also will argue that the presence of their forces on the islands creates a new situation.// [redacted]

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//With British troops in position to assault Stanley, Prime Minister Thatcher is under pressure to offer a short cease-fire to give Argentine troops a final opportunity to withdraw. [redacted]

[redacted]

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//The British are not likely to expect the Argentines to accept a "last chance" offer before a major attack on Stanley. Any such proposal would be designed primarily to persuade the UK's allies and other Latin American states that the Thatcher government is strictly following UN Security Council Resolution 502, and is attempting to avoid more bloodshed and humiliating Argentina.// [redacted]

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//If the Secretary General appears to blame the UK for the failure of his most recent efforts, domestic criticism of Thatcher's negotiating position could rise somewhat. Demands for a more flexible diplomatic posture probably would become more pronounced if fighting became stalemated or, as seems more likely, after the British

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reoccupy the islands. In the interim, however, publication of the more favorable terms that the UK offered before landing on the Falklands, continued British military success, and the relatively low loss of life in recapturing the islands appear to assure Thatcher of continued strong public support.// [redacted]

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Argentine Position

//The Argentine junta also is likely to be inflexible at the negotiating table. Leaders in Buenos Aires believe that the islands are lost, but that it would be easier to manage a defeat politically if they appeared to go down fighting rather than accept a cease-fire with their forces surrounded at Stanley.// [redacted]

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//Government leaders are already preparing the public for military setbacks. They are blaming the US for their defeat and emphasizing the courage the armed forces showed in holding off the combined power of the UK and the US.// [redacted]

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//Buenos Aires could even refuse to negotiate after losing the Falklands, declaring that the struggle would continue until Argentina regained the islands. The government could calculate that a defiant posture would encourage London to negotiate the future of the islands. Such a policy also could strengthen support among nationalist military and civilian leaders, permitting the military--and perhaps Galtieri himself--to remain in power long enough to manage a smooth transition to civilian rule.// [redacted]

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